Certified Public Accountants

City of Hallandale Beach, Florida

Compliance 09/30/2008

Table of Contents

Schedule of Expenditures of Federal Awards	1
Notes to Schedule of Expenditures of Federal Awards	2
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	3 – 4
Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133 and Schedule of Expenditures on Federal Awards	5 – 6
Schedule of Findings and Questioned Costs	7 – 8
Summary Schedule of Prior Audit Findings	9 – 10
Management Letter Required By Chapter 10.550 of the Rules of the Auditor General of the State of Florida	11 – 12
Appendix A – Current Year Recommendations to Improve Financial Management, Accounting Procedures and Internal Controls	13 – 15
Appendix B – Prior Year Recommendations to Improve Financial Management, Accounting Procedures and Internal Controls	16 – 17

Schedule of Expenditures of Federal Awards Year Ended September 30, 2008

	Federal CFDA		Grant
Grantor/Program Title	Number	Grant Number	Expenditures
U.S. Department of Agriculture:	Number	Grant Namber	Experialtures
Pass-Through Florida Department of Education:			
Summer Food Service Program for Children	10.559	04-0995	\$ 10,437
Total U.S. Department of Agriculture			10,437
U.S. Department of Housing and Urban Development:			
Pass-Through Broward County Community Development			
Division:			
Community Development Block Grant, Urban			
County Entitlement:			
33rd Year – Friends of the Hepburn Center			
After School/Homework Tutorial Program	14.218	N/A	63,538
Disaster Recovery Initiative - Housing Rehan	14.228	O7DB-3V-11-16-01-Z08	560
32nd Year – Public Works Improvements	14.218	N/A	82
33nd Year – Public Works Improvements	14.218	N/A	251,931
Total U.S. Department of Housing and Urban			
Development			316,111
Federal Highway Administration, Department of			
Transportation via Florida Department of Transportation	20.205	414039-1-38/58-01	48,605
·	20.200	111007 1 00/00 01	10,000
U.S. Department of Justice:			
Edward Bryne Justice Assistance Grant	16.738	N/A	1,617
Edward Bryne Justice Assistance Grant	16.738	N/A	28,067
Edward Bryne Justice Assistance Grant	16.738	2007-DJ-BX-1390	12,775
Bulletproof Vest Partnership Program	16.607	N/A	8,732
Weed & Seed Grant - Palms	16.595	2006-WS-Q6-L320228	57,057 125,220
Weed & Seed Grant - Palms	16.595	N/A	135,320
Edward Bryne Justice Assistance Grant Total U.S. Department of Justice	16.580	BJA-2007-1627	40,078 283,646
Total 0.5. Department of Justice			203,040
U.S. Department of Homeland Security:			
Federal Emergency Management Agency –			
Urban Area Security Initiative	97.008	N/A	8,053
CERT/Citizens' Corps 2008	97.067	N/A	8,708
CERT Grant 2007	97.067	N/A	8,406
Emergency Food & Shelter	97.024	N/A	989
Total U.S. Department of Homeland Security			26,156
Total Expenditures of Federal Awards			\$ 684,955

Notes to Schedule of Expenditure of Federal Awards Year Ended September 30, 2008

Note 1. General

The accompanying schedule of expenditures of federal awards (the "Schedule") presents the activity of all federal awards of the City of Hallandale Beach, Florida for the year ended September 30, 2008. All federal awards received directly from federal agencies, as well as federal awards received from other government agencies, are included in the Schedule.

Note 2 Basis of Accounting

The accompanying Schedule is presented using the modified accrual basis of accounting in the governmental fund types and the accrual basis of accounting in the proprietary fund types. Under the modified accrual basis, revenue is recognized if it is both measurable and available for use during the fiscal year and expenditures are generally recognized in the period liabilities are incurred. Under the accrual basis, revenue is recognized when earned and expenses are recognized in the period liabilities are incurred.

Certified Public Accountants

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

To the Honorable Mayor, Members of the City Commission and City Manager City of Hallandale Beach, Florida

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Hallandale Beach, Florida (the "City") as of and for the year ended September 30, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 31, 2009. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the City's Police Officers' and Firefighters' Retirement Plan, which represents 55% of the total assets of the aggregate remaining fund information and 86% of the total additions of the pension trust funds, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purposes described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we have reported to management of the City in a separate letter dated March 31, 2009.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the City Commission, management, federal and state awarding agencies and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than those specified parties.

McGladrey of Pullen, LLP

Fort Lauderdale, Florida March 31, 2009

Certified Public Accountants

Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133 and Schedule of Expenditures on Federal Awards

To the Honorable Mayor, Members of the City Commission and City Manager City of Hallandale Beach, Florida

Compliance

We have audited the compliance of the City of Hallandale Beach, Florida (the "City") with the types of compliance requirements described in the *U.S. Office of Management and Budget ("OMB") Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended September 30, 2008. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended September 30, 2008.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of and for the year ended September 30, 2008 and have issued our report thereon dated March 31, 2009. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the City Commission, management, federal awarding agencies, pass-through entities and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than those specified parties.

McGladrey of Pullen, LCP

Fort Lauderdale, Florida March 31, 2009

Schedule of Findings and Questioned Costs Fiscal Year Ended September 30, 2008

I - Summary of Independent Auditor's Results **Financial Statements** Type of auditor's report issued: Unqualified Internal control over financial reporting: Material weakness(es) identified? Yes Χ No Significant deficiency(ies) identified that are not considered to be material weakness(es)? Yes Χ None Reported Noncompliance material to financial statements noted? Yes No Federal Awards Internal control over major programs: Material weakness(es) identified? Yes No Significant deficiency(ies) identified not considered to be material weakness(es)? None Reported Yes Type of auditor's report issued on compliance for major programs: Unqualified Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? Yes No Identification of major programs: Name of Federal Program or Cluster CFDA Number(s) Community Development Block Grant 14.218 Dollar threshold used to distinguish between type \$ 300,000 A and type B programs: Auditee qualified as low-risk auditee? Yes No (Continued)

Schedule of Findings and Questioned Costs (Continued) Fiscal Year Ended September 30, 2008

II – Findings Related to the Financial Statement Audit as Required to be Reported in Accordance With Generally Accepted Government Auditing Standards

None reported.

III -Findings and Question Costs for Federal Awards

None reported.

Summary Schedule of Prior Audit Findings Fiscal Year Ended September 30, 2008

IV – Prior Year Findings Relating to the Financial Statement Audit as Required to be Reported in Accordance With Generally Accepted Government Auditing Standards

IC 2007-01 – Post Closing and Financial Reporting Process

A. Significant Deficiencies over Internal Control

<u>Criteria</u>: The post-closing and financial reporting process, including the accurate recording and accounting of transactions, is a critical function of the City.

<u>Prior year condition</u>: During our audit, numerous adjustments were required to be made to the trial balance in order to comply with GAAP. The adjustments related to routine transactions which were a result of inadequate preparation of certain supporting schedules, used to prepare post closing adjustments.

<u>Cause</u>: Staffing issues in the accounting department, including employee turnover, resulted in improperly prepared schedules which were used to post the necessary post closing entries. Difficulties in obtaining the schedules hindered the review process which was designed to identify and correct such errors.

<u>Effect</u>: The lack of adequate closing policies and procedures can result in material misstatements to the financial statements.

<u>Prior year recommendation</u>: We recommend that the trial balance, all journal entries, bank reconciliations and all supporting schedules be reviewed and approved by appropriate supervisory personnel on a timely basis. Greater emphasis should be placed on ensuring all employee prepared schedules are subjected to review. All supporting documentation used to generate financial reporting entries should be sufficiently reviewed before the related adjusting entries are recorded.

<u>Prior year views of responsible officials and planned corrective action</u>: Finance Department procedures include timely review of the trial balance, all journal entries, bank reconciliations and supporting schedules by appropriate supervisory personnel. However, due to the sudden resignation of an accounting staff member at a critical time in the middle of the audit, many schedules and journal entries had to be re-done when errors were found during the review process.

<u>Current year status</u>: In the current year significant steps were made to address the prior year deficiencies. There were procedures in place to ensure all journal entries and monthly bank reconciliations were subjected to a supervisory review. The trial balance is analyzed by finance staff as part of the year end process but it is not fully reviewed. As part of the annual budget preparation process finance staff performs a thorough review of the current year activity including projections for the end of year balances for all major revenue sources and expenditure accounts which is presented to the committee by finance staff and reviewed by all members of the budget committee. This review as part of the budget process ensures the accuracy of the current year activity while providing a basis for the subsequent year's budget estimates. The analysis performed during the budget process is updated and reviewed again after year end as part of the year end closing process. As a result the income statement activity included in the trial balance is properly reviewed by supervisory personnel. However, although the finance staff also performs a review of the individual balance sheet accounts reported in the trial balance at year end, there is no formal process of supervisory review over these balance sheet accounts. Certain significant balance sheet accounts are reviewed by the Finance Director as deemed appropriate but there is no physical evidence of this review.

Summary Schedule of Prior Audit Findings Fiscal Year Ended September 30, 2008

<u>Current year recommendation</u>: We recommend that the analysis of the year end trial balance including the balance sheet accounts is performed by finance staff and reviewed by appropriate supervisory personnel and evidenced by a signature approving the analysis performed.

<u>Views of responsible officials and planned corrective action</u>: Management concurs with the recommendation and will include procedures to ensure there is evidence of a timely review of the analysis of the entire trial balance including balance sheet accounts performed by finance staff by appropriate supervisory personnel.

B. Compliance Findings

None reported.

Certified Public Accountants

Management Letter Required By Chapter 10.550 of the Rules of the Auditor General of the State of Florida

To the Honorable Mayor, Members of the City Commission and City Manager City of Hallandale Beach, Florida

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hallandale Beach, Florida (the "City") as of and for the fiscal year ended September 30, 2008, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 31, 2009. Our report was modified to include a reference to other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards issued by the Comptroller General of the United States* and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters, Independent Auditor's Report on Compliance and Internal Control over Compliance Applicable to its Major Federal Program and Schedule of Findings and Questioned Costs. Disclosures in those reports which are dated March 31, 2009, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local government entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's reports or schedule:

Section 10.554(1)(i) 1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. The recommendations made in the preceding annual financial audit report have been addressed in Appendix B to this report.

Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the City complied with Section 218.415, Florida Statutes, relating to local government investment policies.

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management, accounting procedures, and internal controls. The recommendations to improve the City's financial management, accounting procedures, and internal controls have been addressed in Appendix A to this report.

Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, that have an effect on the determination of financial statement amounts that is less than material but more than inconsequential. There were no such matters noted during our audit.

Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that are inconsequential to the determination of financial statement amounts, considering both quantitative and qualitative factors: (1) violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, and (2) control deficiencies that are not significant deficiencies, including, but not limited to; (a) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the financial statements); (b) failures to properly record financial transactions; and (c) inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. This information is disclosed in Note 1 of the City's financial statements.

Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the City did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the City for the fiscal year ended September 30, 2008 filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2008. In connection with our audit, we determined that these two reports were in agreement.

Pursuant to Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the City's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

This management letter is intended solely for the information and use of the Honorable Mayor, City Commission, management of the City, the Auditor General of the State of Florida Office, Federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

McGladrey of Pullen, LLP

Fort Lauderdale, Florida March 31, 2009

Appendix A

Recommendations to Improve Financial Management, Accounting Procedures and Internal Controls Fiscal Year Ended September 30, 2008

No.	Current Year's Observations	
ML 08-01	Capital Assets	
ML 08-02	CRA Loans Receivable	

Appendix A

Recommendations to Improve Financial Management, Accounting Procedures and Internal Controls Fiscal Year Ended September 30, 2008

Current Year Suggestions

ML 08-01 Capital Assets

<u>Criteria</u>: Adequate controls should exist over the accounting and reporting for capital assets.

<u>Condition</u>: Due to staff turnover, we noted that the City had not been updating the capital asset records in the HTE system on a timely basis. The purpose of the system is to track all capital asset additions and ensure they are properly depreciated. We noted the current year activity was not recorded into the separate HTE capital asset module used to record and track capital assets throughout the year. This resulted in City staff preparing manual excel schedules after year end to summarize current year capital asset additions and to record the amount necessary for current year depreciation expense. The use of manually created excel schedules increases the risk of errors in the preparation and accumulation of capital asset data including deprecation expense. Also performance of this activity after year end resulted in delays in the year end closing process and affected the timing of the financial reporting process.

<u>Cause</u>: The individual responsible for maintaining the capital asset records terminated their employment with the City and their position was not filled in a timely manner and their responsibilities were not reallocated to remaining staff until after year end when they attempted to prepare the comprehensive annual financial report.

<u>Effect</u>: Potential for misstatement of capital asset additions and accumulated depreciation and depreciation expense. Delay in closing the books and completing the financial reporting process.

<u>Recommendation</u>: We recommend the City implement policies and procedures to ensure information recorded in the capital asset system is properly recorded in a timely manner and establish backup plans in the event that an employee resigns or is terminated from employment. City staff should also be cross trained to be able to provide additional support as necessary throughout the year.

<u>Views of responsible officials and planned correction action</u>: Management concurs with the recommendation. Although we agree there was a delay in the year end closing and financial reporting process, the schedules were properly prepared and reviewed and there were no resulting audit adjustments required. The City does, however, desire to improve its procedures. To that end, the capital asset responsibility has been divided between two accountants, so that each of them will be cross-trained and have a total understanding of the process. The City is also moving towards having the activity recorded by the accountants throughout the year with reconciliations performed on a quarterly basis to ensure all activity is properly recorded and improve the timeliness of the year end closing and financial reporting process.

Appendix A

Recommendations to Improve Financial Management, Accounting Procedures and Internal Controls Fiscal Year Ended September 30, 2008

ML 08-02 CRA Loans Receivable

<u>Criteria:</u> The City should maintain adequate supporting documentation and subsidiary ledgers for all accounts and records.

<u>Condition</u>: The City was unable to provide us with a CRA Loan Receivable detail as of 9/30/08. The loan receivable file updates on a continuous basis and a hard copy or electronic version of the report was not retained as of 9/30/08 to support the balances and evaluation of collectability of the amounts performed as part of the year end closing process.

<u>Cause</u>: The system works in real time and the staff failed to print out or otherwise retain a copy of the report as of year end.

<u>Effect</u>: The lack of an accurate loan detail resulted in additional work necessary to review and agree the balances at year end and determine whether or not the collectability of the loans was properly evaluated.

<u>Recommendation</u>: We recommend a procedure be established to ensure that all time sensitive reports such as this receivable detail report are properly maintained for subsequent review or audit as needed. Also, evidence should be retained of management's review of the determination of the net realizable value of these receivables.

<u>Views of responsible officials and planned correction action</u>: The City does maintain adequate subsidiary ledgers. A limitation/benefit is that it is a dynamic system, rather than a static one. However, staff will endeavor to produce a query on the last day of the fiscal year to utilize to document its evaluation of the proper recording of the CRA loans at their net realizable value for financial reporting purposes. This process had been performed in the past but was not clearly documented and retained by management. The query will also be made available to the auditors to facilitate their review of the analysis performed by the City on the net realizable value of the CRA receivables.

Appendix B – Prior Year Recommendations to Improve Financial Management, Accounting Procedures and Internal Controls

No.	Prior Year's Observations	Observation is Still Relevant	Observation Addressed or No Longer Relevant
	Information Technology (IT) Security		
ML 07-01	Awareness Training		Χ
ML 06-01	Outstanding Checks		Χ
ML 06-04	Financial Reporting	X	

Appendix B – Prior Year Recommendations to Improve Financial Management, Accounting Procedures and Internal Controls

ML 06-04 - Financial Reporting

<u>Criteria</u>: The City's accounting and reporting system requires adequate supervision and review of all financial operations and reporting. In addition, the AICPA has issued new auditing standards which limit the auditor's involvement in the financial reporting process.

<u>Condition</u>: In 2006, the City reorganized the staff within the accounting department, eliminating the old structure and establishing an Assistant Finance Director to solely oversee the budget operations. This created a void in the accounting and reporting operations which has increased the work load of the Finance Director beyond where it should be. In addition, since the AICPA has issued new auditing standards which limit the auditor's involvement in the financial reporting process, the work load of the Finance Director will significantly increase, thereby creating an even bigger void in the accounting and reporting operations.

<u>Prior Year Recommendation</u>: We recommend that the City establish a second Assistant Finance Director or Controller position. This position should be filled by someone with sufficient governmental accounting and financial reporting knowledge to assist the Director in supervision of day to day operations and preparation of the Comprehensive Annual Financial Report.

<u>Prior Year Management's Response</u>: We appreciate the recommendation, and will take it under advisement during a future budgeting process.

<u>Current Year Status</u>: We understand the budgetary constraints the City is facing in light of the current economic times, however, we recommend that the City continue their assessment on determining whether the position of a second Assistant Finance Director or Controller could be established to oversee the accounting and financial reporting process.

<u>Views of responsible officials and planned corrective action</u>: We appreciate the recommendation, and will continue to take it under advisement during future budgeting processes.